SHRI M. S. GURUPADASWAMY: We are equally concerned with this matter. It is a serious matter. I agree with you. It is not a party matter at all. All are concerned with this. We are worried about the safety of our people in Kuwait and elsewhere, and certainly Government is looking into this matter. (*Interruptions*).

DR. RATNAKAR PANDEY: We want a statement.

SHRI S. S. AHLUWALIA: We want a statement. (*Interruptions*).

DR. RATNAKAR PANDEY: Kindly tell the Prime Minister to come to the House. Kindly tell the Government to make a statement today itself. (*Interruptions*).

SHRI KAPIL VERMA: We want a definite statement. (*Interruptions*).

डा० रत्नाकर पाण्डेय : प्रधान मंत्री को बोलिये... (व्यवधान)

ORAL ANSWERS TO QUESTIONS

Increase in Bank charges by Public Sector Banks

*101. SHRI YASHWANT SINHA: †
SHRI KAMAL MORARKA:

Will the Minister of FINANCE be pleased to state:

(a) what is the quantum of increase in bank charges effected from 1st July by public sector banks;

(b) whether such steep increases in bank charges are justified especially in view of the deteriorating services provided by the public sector banks; and

(c) what steps Government are contemplating to bring about some rational basis for fixing service charges commensurate with the quality of service rendered?

THE MINISTER OF FINANCE (PROF. MADHU DANDAVATE): (a) to (c) A statement is laid on the Table of the House.

†The question was actually asked on the floor of the House by Shri Yashwant Sinha.

Statement

The public sector banks have revised their service charges with effect from 1st July, 1990. The quantum of increase depends on the type of service and amount of transaction. While there has been no change in the charges levied in respect of certain services and upto certain amount of transactions, the increase in the other services has been kept at a modest level.

The banks have increased their service charges on account of increase in the cost of operations, including the wage bill. As regards improvement of customer service, the public sector banks at the instance of Government and Reserve Bank of India have been trying to improve their services. While all efforts have to be made to keep the charges at a reasonable level, there is no alternative to making adjustments in such charges when the cost of service and wages increase.

SHRI YASHWANT SINHA: I am sorry to point out that from the statement which has been laid on the Table of the House by he Hon. Finance Minister, there is absolutely nothing which becomes clear, because the Finance Minister says in his answer that while "there has been no change in charges levied in respect of certain services and up to certain amount of transactions, the increase in the other services has been kept at a modest level." No meniton has been made of the percentage increase of the charges and services for which the charges have been raised. But we are all aware that there has been a whopping increase of 25 per cent of bank charges from 1st July and practically every sector of banking operations has been covered by these increases. So, I really wish that the Finance Minister had been more explicit in the reply to my question so that it would have been easier for us to ask supplementaries. Mr. Morarka and myself had related this question to efficiency.

Part (a) of my first supplementary that I would like to know from the Finance Minister is what is the procedure which the Government follows when such bank

charges are raised and whether the Government of India has any role to play when the charges are raised. Part (b) of my question is, how this is linked to productivity in banks and to efficiency? And part (c) of my question is do they try and relate it to profits which are made by the banks, because we are all aware that last year the nationalised banks have together posted profit of something like Rs. 365 crores and because the Reserve Bank has said that 1989-90 will be the bench-mark for future years, they have reduced the profit now to Rs. 355 crores? There is one nationalised bank which had done *hera pheri* earlier and had charged its books of account to reduce its profit because it is going to be treated as a bench-mark. Now, I want to know from the hon. Finance Minister why customers service charges are being raised if the banks are making profit; and whether there is any study which is being made to see that profits are related to customer services without causing undue hardships to the customers and the profits kept at a reasonable level *i.e.*, these two are married together and customers are not put at disadvantage.

PROF. MADHU DANDAVATE: I am sorry the hon. Member felt that details regarding the increases in charges were not given. I agree that I have left it to the supplementaries. Anyway, I will give the details. He also asked the question as to who was responsible for suggesting the increases. In 1988 a Committee of Public sector Banks on Service Charges was constituted under the Chairmanship of Shri M. N. Goparia. They were asked to study carefully the entire service structure, the operations and the expenditure to the inputs and all that; and on the basis of that they have made certain suggestions. The last changes in the service charges were made in 1985 and now they will be in 1990.

Now, first I would reply to the first query that is made by the hon. Member as to what are the concrete increases that have been effected.

SHRI JAGESH DESAI: But, Sir, these details should have been given in the original reply of the hon. Member.

PROF. MADHU DANDAVATE: I have got ten pages of details. The difficulty was a general statement was made by the hon. Member, but since the details are very rigorous, I should either lay them on the Table of the House, but indicate several important...

MR. CHAIRMAN: If they are long, you can lay them on the Table.

PROF. MADHU DANDAVATE: But at least some of those aspects I would like to mention in the House and others...

श्री प्रमोद महाजन : महोदय, कितनी वृद्धि की है । इतना स्पष्ट पूछा था, तो उत्तर में उसका कोई उल्लेख नहीं है । इसमें पहले यह (क) भाग है कि कितनी वृद्धि की थी ? बहुत ही साधारण स्पष्ट प्रश्न है । मंत्री महोदय यह कहते हैं कि मैं इसको पूरक प्रश्न के लिये बचाना चाहता हूं । तो मुझे लगता है कि यह तो सदन के लिये अच्छा उत्तर नहीं है कि मूल प्रश्न को बचाना चाहते हैं । मूल प्रश्न में जब पूछा है कि कितनी वृद्धि की है, तो इसे बताना जरूरी था ।

PROF. MADHU DANDAVATE: I will clarify that point. If the total increase was to be given only in one figure to the hon. Member, the task would have been easy. After my reply, I am sure he will not have this query at all. Why a straightforward answer could not be given that 'x' per cent is the increase is because there was no uniform increase. There are various categories, various transactions, various classifications for which the increases were different. If I give him the overall percentage that would create an illusion and he will say that a very small charge is there and, therefore, I wanted to give all these clarifications.

MR. CHAIRMAN: Lay it on the Table of the House.

PROF. MADHU DANDAVATE: I have very clearly explained that if one single figure were to be given 20 per cent or 10 per cent increase, the problem would have been simple but they have been

divided into a number of categories. In some cases it is nil, in some cases it is 10 per cent and in some cases it is 5 per cent. Therefore, I did not give a single figure. If you give me permission I will lay them on the Table but will only make a mention of two or three points because they are very important. I would like to point out that ledger folio charges have been increased from 20 to 25 per cent. For instance, Now there are other cases, for instance, average balance, free folio where charges have been increased. Up to Rs. 1500 it is nil. From Rs. 1500 to Rs. 5000 the charges are different. Some changes were there earlier also. As far as the new changes are concerned, we are continuing it from 1st July, 1990. Then, issue of duplicate statement of accounts and pass-books there the percentage is different. Then payment instructions if duplicates are to be given it is nil. Then insurance duplicate instruments, it is nil.

SHRI VIREN J. SHAH: What about cheque books?

PROF. MADHU DANDAVATE: As far as the cheque books are concerned, for each leaf, and the leaf containing 50 entries the increase has been one rupee. I will only clarify one point. The total cost of production of one leaf of a cheque is more than what we are charged and as a result of that we have done it. One more reason is that after 1985 and up to 1990 if you look at the increase in the wage bill of the banks, it has increased by Rs. 400 crores per annum. So because of these new expenditures on account of the increase we were forced to make certain changes.

SHRI YASHWANT SINHA: I am sorry I had three sub-related questions. (1) Whether the Government of India has approved this. (2) Whether it was linked to productivity and efficiency; and (3) Whether it was linked to profit. The Finance Minister unfortunately has not answered those points.

MR. CHAIRMAN: He has linked it to the cost.

SHRI YASHWANT SINHA: I want to know whether the recommendations of the Committee have come to the Government of India. Has the Government of India approved the increase in charges or not? This is a specific question. Are the banks autonomous enough to be able to do it on their own? Does it come to the Banking Division of the Ministry of Finance and do they look into this and if they do, then at that level or at the level of the bank do they relate it to the efficiency, producivity of the employees and profits? These are specific questions which I am asking.

PROF. MADHU DANDAVATE: Sir, I gave the reply that it is related to cost expenditure of the operations and the inputs involved. It is not related to efficiency or related to profits. That is the clear answer I had given. As far as the recommendations of the Committee are concerned, they were scrutinised and finally they have been adopted from 1st July, 1990. They are in operation.

MR. CHAIRMAN: Mr. Jagesh Desai.

SHRI YASHWANT SINHA: What about my second supplementary.

MR. CHAIRMAN: All right.

SHRI YASHWANT SINHA: The Minister has said that one leaf of the cheque book has gone up by one rupee. The cost of one sheet of bank statement has gone up by Rs. 5, from Rs. 20 to Rs 25. In view of this the Traders Association in Delhi and elsewhere in the country have demanded that this be withdrawn and the charges be related to profit. If there is some decline in profits, the banks could probably levy it. But there is no reason why it should be passed on to the consumers,, clients. For instance, it has been stated that for one crore of account holders the additional cost of these charges will be to the extent of Rs. 2 lakhs per day. Now in the light of all these revelations and in the light of the fact that the Minister has admitted that it is not related to efficiency or productivity and also not to profit though it is related to cost—but he says, it is not related to profits—will he re-examine the question and see that the excessive burden which has been placed on the consumers is reduced?

PROF. MADHU DANDAVATE: Sir, as far as the linking of the rates of the service charges to the profitability is con-

cerned, the difficulty is, there are 28 public sector banks. The profitability of different public sector banks is different. There was a time prior to 1985 in which there was no integrated as far as the services were concerned. But since 28 are public sector banks, some have profitability, some have less profitability, some are in losses, and if we relate only to profitability, this means that those banks which are running losses, in that case all the service charges will have to be decreased or they will have to be completely abolished and therefore independently, we will have the monitoring of the efficiency and the profitability but not link up the charges of service with the profitability and efficiency. They are definitely linked up with the cost of production. They are linked up with operation. They are also linked with the cost of material that we utilise and everywhere, that way it is done. The world over, whenever service charges are to be increased or decreased, they linked up with the operational cost and not with the efficiency and the profitability of the bank.

SHRI JAGESH DESAI: Sir, I would like to know from the Minister since when the service charges are collected on the cheque books, what were they earlier and what are they now? Secondly, you said that these service charges are increased because of increase in wage bill. I would like to know from the Minister whether he is thinking to increase the interest on advances because if increase is there in the wage bill, on advances also, the rate of interest should be increased. I would like to know whether the Government is thinking to increase the rate of interest on advances instead of charging the service charges.

PROF. MADHU DANDAVATE: Sir, we have not taken any final decision regarding the concrete suggestion that he has made but anyway, that is the specific suggestion that the hon. Member has made and we will examine that.

SHRI JAGESH DESAI: Since when you are charging the increase in respect of cheque books?

PROF. MADHU DANDAVATE: As far as cheque books are concerned, formerly there was no increase at all. Only from 1990, additional charge of one rupee per sheet which contains 50 entries is being charged.

SHRI GURUDAS DAS GUPTA: Sir, we have a Professor as the Finance Minister and he takes us as students. Therefore, he can answer the question in the way a Professor can do in a class

SHRI DINESH GOSWAMI: Once a Professor always a Professor (*Interruptions*).

SHRI PRAMOD MAHAJAN: You are a Professor of Physics.

SHRI GURUDAS DAS GUPTA: He has something to do with banking since he has a scientific outlook, he says. The Minister says that the increase in service charge is not related to profitability or productivity. That is the statement. Again while coming to the next part of his answer, he said that the banks had to increase the service charges because there has been an exorbitant rise in the wage bill. Therefore, the increase in service charge has something to do with the working of the bank including increase in the cost of wage and the cost of other sectors. Therefore, I come to my submission in this way. The service charges have been increased by the bank to augment its income and the income had to be augmented because there was a fall in the profit of the banks because most of the banks are losing whether they are window-dressing their accounts or are not being able to window-dress their accounts. Therefore, this is the cost that comes out of the mismanagement of the banks. I would like the Minister to tell me, in view of the increase in costs as a result of mismanagement of the banks and in view of the serious complaints that are pouring in regarding the way the credit is being managed, is the Minister ready to order a probe into the way the banks are being run? Or, at least, is he ready to tell us that he will look into the functioning of the banks and not only plead for increase of service charges? (*Interruption*).

PROF. MADHU DANDAVATE: Sir, I fully endorse the suggestion of the hon. Member. He wants an assurance that we will carefully and in depth go into the working of the banking system so as to ensure that efficiency and profitability increase. I accept that suggestion and we will look into the system.

SHRI RAMESHWAR THAKUR: As regards these two aspects, the Government of India had appointed a committee called the Study Group on Banking Costs. It was actually appointed by the Banking Commission. I had the privilege to chair that Commitee and that Committee made a number of recommendations, particularly in regard to having costing systems in nationalised banks in regard to each branch and each operation. To my knowledge, this recommendation of the Committee was accepted by the Government. Thereafter, there was also another committee appointed by the Reserve Bank of India called the Committee on Productivity efficiency and Profitability in Banks. I had the privilege to be the Convenor of that Committee. That Committee also had made a number of suggestions and recommendations to increase productivity, efficiency and profitability and to have proper guidelines and monitoring systems and also costing systems. In this background, I would like to know from the hon. Minister whether nationalised banks have started implementing the costing system. This is very imporant. Has the present rise in charges been made on an ad hoc basis on the plea of increase in the overall expenses and lesser profitability? Are these charges on ad hoc basis and not on a scienfic study based on costing of each and every operation done by the different nationalised banks? Thirdly, have the recommendaitons in regard to productivity, efficiency and profitability been implemented by the Government and if not when does the Government propose to implement a proper costing system and productivity, efficiency and profitability measures in nationalised banks so that a rational decision could be taken and the consumers would feel that justice is being done to them and no ad hoc charges are being made, as said by Mr. Sinha?

PROF. MADHU DANDAVATE: Sir, the hon. Member is quite right in pointing out that there have been various institutions and committees which went in depth into the working of the banks, their productivity, efficiency and the costing system. There is a broad Banking Commission's report. Then there is a report regarding the pofitability of public-sector banks. Then there is a report regarding the costing system and the Committee that was appointed to which I made a reference earlier, went in depth into all these recommendations and also they took into account the costing system that has been prescribed for various public sector banks and taking an overall view of all these aspects—not in an ad hoc manner, but after a considered view—they have come forward with these suggetions.

SHRI RAMESHWAR THAKUR: Sir ....(*Interruptions*)..I want to know whether they studied the recommendations of the second Committee or whether it is ad hoc implementation. This needs clarification.

PROF. MADHU DANDAVATE: Sir.....(*Interruptions*) As I already pointed out to him, the Committee to which I made a reference made the suggestions and on that basis only the suggestions have come.

SHRI VIREN J. SHAH: I would like to ask a supplementary in the context fo two points. One is the price-rise about which the whole House was concerned last week including the treasury benches. The second is the oft-repeated statements made by the hon. Finance Minister about reducing Government expenditure. This is the background. When banks or any other organisation increase their service charges or whatever charges, it has an impact on both increase of prices in all commodities and increase of Governmental expenses. As my hon. friend Mr. Gurudas Das Gupta mentioned, if you have to give reasons of increase in cost of operation including the wage bill, then for every service, for every goods or product that is made, this reason could be given to increase the

price or cost of services. How is it that efficiency of the banks is not being given any attention despite Mr. Yashwant Sinha's thrice-repeated question about productivity and efficiency? His question was orignally based on that point which was changed by the Secretariat. That seems to be overlooked and the point was made about the dressing-up of the profits shown by the banks. These have become a kind of uneconomic monster. In the context of increasing Government expenditure which means Government-run organisations and in the context of stopping price rise, would the hon. Minister find any ways of improving the efficiency of the banks which will reduce the cost and service charges?

PROF. MADHU DANDAVATE: Sir, I have already mentioned that point in my earlier reply, that independently we will take cognisance of the methods to augment the efficiency and profitability of the banking system. And that will have its own effect as far as the expenditure is concerned.

As regards the second part of his question whether we are taking a concrete exercise to see that the expenditure is restrained or reduced, I may tell the hon. Member that I have promised to the House in this very session that we are submitting a report on the perfomance of our exercise on two counts, reducing and restraining the expenditure of the Government, including various public-sector institutions, and also augmenting the revenue. I assure you that that suggestion of his has already been taken note of and some good effects are already produced.

SHRI VIREN J. SHAH: Would you appoint the entire Board consisting of workmen and no one else? Remove everyone and let it be managed entirely by the workmen. Let us see how the efficiency improves.

SHRI GURUDAS DAS GUPTA: Sir, these capitalists have made the industry sick and now they like the workmen to run the Board.

PROF. MADHU DANDAVATE: Sir, I am very glad that a prominent industrialist and hon. Member of this House has come forward with such a wise suggestion. Whatever the provisions of the rules and regulations today, there are various members of the Board; just as there are full-time members of the Board, similarly non-official members of the Board, consist of representatives of various interests, representatives of the majority union and representatives of the officers' association. All that provision is already there. I am very happy to find that he wants hundred per cent representation. I do not know whether he has made that suggestion sarcastically or genuinely.

SHRI N. K. P. SALVE: Sir, I very seriously object to the Finance Minister calling a Member or an hon. Member an industrialist. The imputations are not fair at all. He says that the conduct of the hon. Member is different from his conduct as an industrialist.

PROF. MADHU DANDAVATE: I did not say that Members are honourable and industrialists are not honourable. Sir, on one occasion, when Mr. Salve was described 'as the gentleman who spoke just now', I said at that time, "In this House, there are no gentlemen. All are hon. Members."

Schemes to make easy availability of gold

*102. SHRI J. P. JAVALI:†
SHRI ASHWANI KUMAR:

Will the Minister of FINANCE be pleased to state:

(a) whether after repeal of the

†The Question was actually asked on the floor of the House by Shri J. P. Javari.